

MAIL TO:  
Registry of Charitable Trusts  
P.O. Box 903447  
Sacramento, CA 94203-4470  
(916) 210-8400

WEB SITE ADDRESS:  
[www.ag.ca.gov/charities/](http://www.ag.ca.gov/charities/)

**ANNUAL  
REGISTRATION RENEWAL FEE REPORT  
TO ATTORNEY GENERAL OF CALIFORNIA**

Section 12586 and 12587, California Government Code  
11 Cal. Code Regs. section 301-307, 311 and 312

Failure to submit this report annually no later than the 15th day of the 5th month after the end of the organization's accounting period may result in the loss of tax exemption and the assessment of a minimum tax of \$800, plus interest, and/or fines or filing penalties as defined in Government Code section 12586.1. IRS extensions will be honored.

RECEIVED

Attorney General's Office

JAN 28 2019

Registry of Charitable Trusts

State Charity Registration Number: CT 069715

SAINT JOHN'S PROGRAM FOR REAL  
CHANGE

Name of Organization

2443 FAIR OAKS BLVD., NO. 369

Address (Number and Street)

SACRAMENTO, CA 95825

City or Town, State and ZIP Code

Check if:

☐ Change of address

☐ Amended report

Corporate or Organization No. 3675509

Federal Employer I.D. No. 68-0132934

**ANNUAL REGISTRATION RENEWAL FEE SCHEDULE (11 Cal. Code Regs. sections 301-307, 311, and 312)**  
Make Check Payable to Attorney General's Registry of Charitable Trusts

Gross Receipts	Fee	Gross Annual Revenue	Fee	Gross Annual Revenue	Fee
Less than \$25,000	0	Between \$100,001 and \$250,000	\$50	Between \$1,000,001 and \$10 million	\$150
Between \$25,000 and \$100,000	\$25	Between \$250,001 and \$1 million	\$75	Between \$10,000,001 and \$50 million	\$225
				Greater than \$50 million	\$300

**PART A - ACTIVITIES**

For your most recent full accounting period (beginning 01/01/2017 ending 12/31/2017) list:  
Gross annual revenue \$ 6,330,208. Total assets \$ 7,813,888.

**PART B - STATEMENTS REGARDING ORGANIZATION DURING THE PERIOD OF THIS REPORT**

Note: If you answer "yes" to any of the questions below, you must attach a separate page providing an explanation and details for each "yes" response. Please review RRF-1 instructions for information required.

	Yes	No
1. During this reporting period, were there any contracts, loans, leases or other financial transactions between the organization and any officer, director or trustee thereof either directly or with an entity in which any such officer, director or trustee had any financial interest?		X
2. During this reporting period, were there any theft, embezzlement, diversion or misuse of the organization's charitable property or funds?		X
3. During this reporting period, did non-program expenditures exceed 50% of gross revenue?		X
4. During this reporting period, were any organization funds used to pay any penalty, fine or judgment? If you filed a Form 4720 with the Internal Revenue Service, attach a copy.		X
5. During this reporting period, were the services of a commercial fundraiser or fundraising counsel for charitable purposes used? If "yes," provide an attachment listing the name, address, and telephone number of the service provider.		X
6. During this reporting period, did the organization receive any governmental funding? If so, provide an attachment listing the name of the agency, mailing address, contact person, and telephone number.	X	
7. During this reporting period, did the organization hold a raffle for charitable purposes? If "yes," provide an attachment indicating the number of raffles and the date(s) they occurred.		X
8. Does the organization conduct a vehicle donation program? If "yes," provide an attachment indicating whether the program is operated by the charity or whether the organization contracts with a commercial fundraiser for charitable purposes.		X
9. Did your organization have prepared an audited financial statement in accordance with generally accepted accounting principles for this reporting period?	X	

Organization's area code and telephone number 916-453-8915

Organization's e-mail address INFO@SAINTJOHNSPROGRAM.ORG

I declare under penalty of perjury that I have examined this report, including accompanying documents, and to the best of my knowledge and belief, the content is true, correct and complete.

Signature of authorized officer

MICHELE STEEB

Printed Name

CHIEF EXECUTIVE  
OFFICER

Title

Date

606219  
\$150-

CA RRF-1

INFORMATION REGARDING GOVERNMENT FUNDING  
PART B, LINE 6

STATEMENT 9

U.S. DEPARTMENT OF AGRICULTURE - PASSED THROUGH SACRAMENTO COUNTY  
DEPARTMENT OF HUMAN ASSISTANCE: CALFRESH - SNAP TO SKILLS EMPLOYMENT  
TRAINING PROGRAM, \$531,709

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES: PASSED THROUGH  
SACRAMENTO DEPARTMENT OF HUMAN ASSISTANCE: TEMPORARY ASSISTANCE FOR  
NEEDY FAMILIES (TANF), \$214,020

U.S. DEPARTMENT OF AGRICULTURE - PASSED THROUGH CALIFORNIA DEPARTMENT  
OF EDUCATION, CHILD & ADULT CARE FOOD PROGRAM, \$210,377

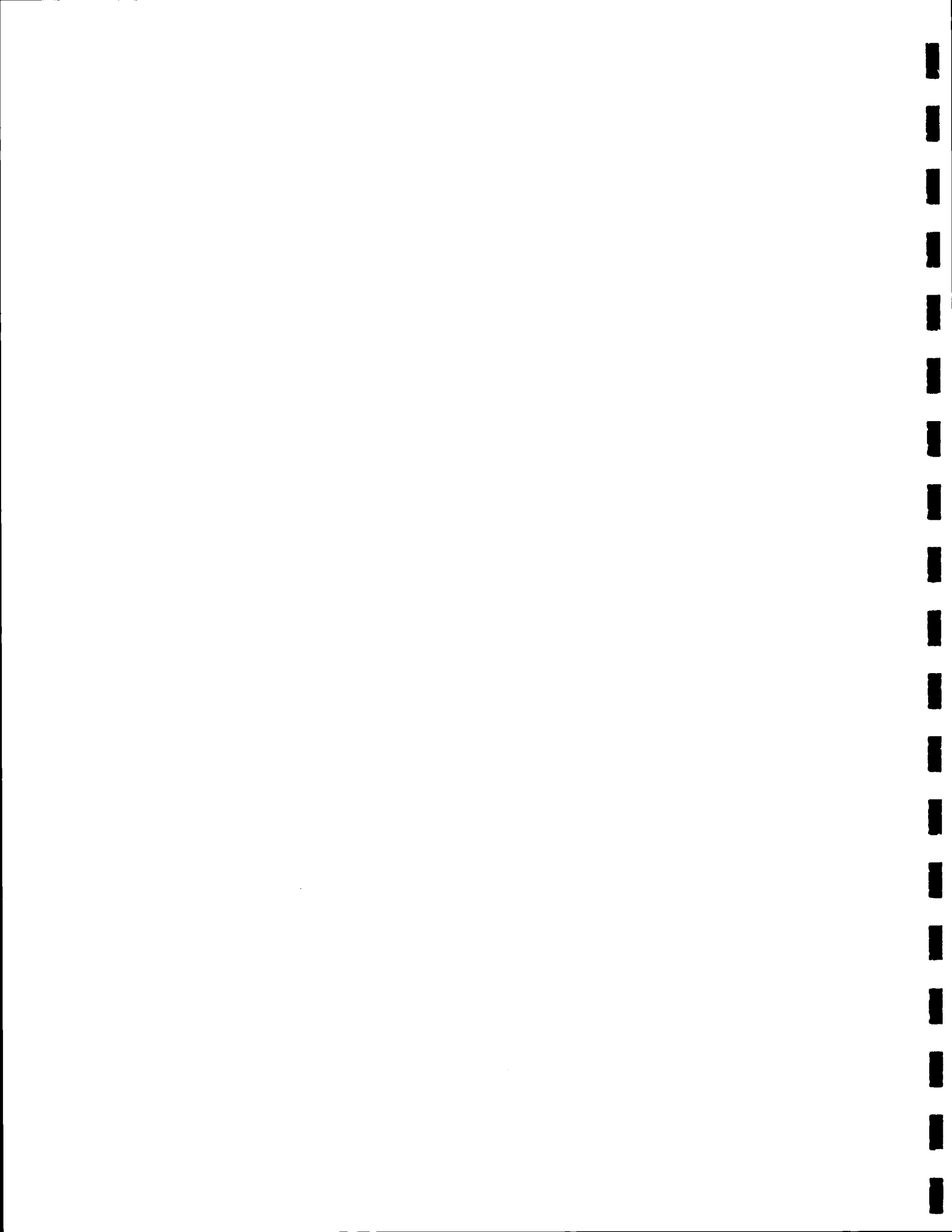
U.S. DEPARTMENT OF HOMELAND SECURITY - FEMA, EMERGENCY FOOD & SHELTER  
PROGRAM, \$71,855

TOTAL FEDERAL AWARDS \$1,027,961

**SAINT JOHN'S PROGRAM FOR REAL CHANGE**

**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**

**Year Ended December 31, 2017**



## INDEX

	<u>PAGE</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1-2
<b>STATEMENT OF FINANCIAL POSITION</b>	3
<b>STATEMENT OF ACTIVITIES</b>	4
<b>STATEMENT OF FUNCTIONAL EXPENSES</b>	5
<b>STATEMENT OF CASH FLOWS</b>	6
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	7-14
Schedule of Expenditures of Federal Awards	16
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17-18
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	19-20
Schedule of Findings and Questioned Costs	21-22
Summary of Prior Audit Findings	23





**CHAVEZ/SILVA & CO**  
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

## **INDEPENDENT AUDITORS' REPORT**

Saint John's Program for Real Change  
Board of Directors

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Saint John's Program for Real Change (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saint John's Program for Real Change as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



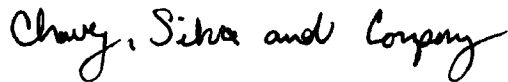
### ***Other Matters***

#### ***Other Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2018, on our consideration of Saint John's Program for Real Change's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Saint John's Program for Real Change's internal control over financial reporting and compliance.



**CHAVEZ, SILVA & COMPANY**

**Certified Public Accountants**

October 3, 2018



**SAINT JOHN'S PROGRAM FOR REAL CHANGE**  
**STATEMENT OF FINANCIAL POSITION**  
**Year Ended December 31, 2017**

**ASSETS**

**CURRENT ASSETS:**

Cash and cash equivalents	\$ 299,204
Accounts and grants receivable	709,087
Prepaid expenses and deposits	46,322
Inventory	22,482
Pledges receivable, current	224,503
	<hr/>
Total current assets	1,301,598

**PLEDGES RECEIVABLE, net** 249,700

**PROPERTY AND EQUIPMENT, net** 

---

6,262,590

**TOTAL ASSETS** 

---

**\$ 7,813,888**

---

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES:**

Accounts payable	\$ 848,360
Deferred revenue	92,547
Accrued expenses	285,612
Line of credit	164,732
Notes payable, current	-
	<hr/>
Total current liabilities	1,391,251

**NOTES PAYABLE, net of current** 4,991,072

**TOTAL LIABILITIES** 

---

6,382,323

**NET ASSETS:**

Unrestricted	964,273
Temporarily restricted	467,292
	<hr/>
Total net assets	1,431,565

**TOTAL LIABILITIES AND NET ASSETS** 

---

**\$ 7,813,888**

---

See accompanying notes to financial statements.



**SAINT JOHN'S PROGRAM FOR REAL CHANGE**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES:</b>			
Government grants	\$2,780,712	\$ -	\$2,780,712
Contributions	1,818,238	447,000	2,265,238
Program revenues	642,172	-	642,172
Special events:			
Events revenue	865,168	-	865,168
Events expense	(252,722)	-	(252,722)
Net revenues of special events	<u>612,446</u>	<u>-</u>	<u>612,446</u>
Other	29,640	-	29,640
Net assets released from restrictions	<u>491,041</u>	<u>(491,041)</u>	<u>-</u>
 Total revenues	 <u>6,374,249</u>	 <u>(44,041)</u>	 <u>6,330,208</u>
<b>EXPENSES:</b>			
Program services:			
Housing & Continuum of Care	2,999,206	-	2,999,206
Plates	1,287,245	-	1,287,245
First Steps	471,582	-	471,582
Supporting services:			
General and administrative	936,937	-	936,937
Fundraising	<u>854,095</u>	<u>-</u>	<u>854,095</u>
 Total expenses	 <u>6,549,065</u>	 <u>-</u>	 <u>6,549,065</u>
 <b>CHANGE IN NET ASSETS</b>	 <b>(174,816)</b>	 <b>(44,041)</b>	 <b>(218,857)</b>
 <b>NET ASSETS, BEGINNING</b>	 <u>1,139,089</u>	 <u>511,333</u>	 <u>1,650,422</u>
 <b>NET ASSETS, ENDING</b>	 <u><u>\$ 964,273</u></u>	 <u><u>\$ 467,292</u></u>	 <u><u>\$ 1,431,565</u></u>

See accompanying notes to financial statements.



	G&A and Fundraising	Total
2019	100%	100%
2020	100%	100%
2021	100%	100%
2022	100%	100%
2023	100%	100%
2024	100%	100%
2025	100%	100%
2026	100%	100%
2027	100%	100%
2028	100%	100%
2029	100%	100%
2030	100%	100%
2031	100%	100%
2032	100%	100%
2033	100%	100%
2034	100%	100%
2035	100%	100%
2036	100%	100%
2037	100%	100%
2038	100%	100%
2039	100%	100%
2040	100%	100%
2041	100%	100%
2042	100%	100%
2043	100%	100%
2044	100%	100%
2045	100%	100%
2046	100%	100%
2047	100%	100%
2048	100%	100%
2049	100%	100%
2050	100%	100%
2051	100%	100%
2052	100%	100%
2053	100%	100%
2054	100%	100%
2055	100%	100%
2056	100%	100%
2057	100%	100%
2058	100%	100%
2059	100%	100%
2060	100%	100%
2061	100%	100%
2062	100%	100%
2063	100%	100%
2064	100%	100%
2065	100%	100%
2066	100%	100%
2067	100%	100%
2068	100%	100%
2069	100%	100%
2070	100%	100%
2071	100%	100%
2072	100%	100%
2073	100%	100%
2074	100%	100%
2075	100%	100%
2076	100%	100%
2077	100%	100%
2078	100%	100%
2079	100%	100%
2080	100%	100%
2081	100%	100%
2082	100%	100%
2083	100%	100%
2084	100%	100%
2085	100%	100%
2086	100%	100%
2087	100%	100%
2088	100%	100%
2089	100%	100%
2090	100%	100%
2091	100%	100%
2092	100%	100%
2093	100%	100%
2094	100%	100%
2095	100%	100%
2096	100%	100%
2097	100%	100%
2098	100%	100%
2099	100%	100%
2100	100%	100%

See accompanying notes to financial statements.



**SAINT JOHN'S PROGRAM FOR REAL CHANGE**  
**STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets	\$ (218,857)
Adjustments to reconcile change in net assets to net provided by cash (used in) operating activities:	
Depreciation	201,402
(Increases) decreases in:	
Accounts and grants receivable	(16,296)
Prepaid expenses and deposits	28,096
Inventory	6,371
Pledges receivable	(161,536)
Increases (decreases) in:	
Accounts payable	546,012
Deferred revenue	92,547
Accrued expenses	60,532
Net cash provided by operating activities	<u>538,271</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchases of land and building	(357,508)
Payments on construction in progress	<u>(692,198)</u>
Net cash used in investing activities	<u>(1,816,298)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Proceeds from notes payable	888,901
Payments on notes payable	(700,000)
Net change in line of credit	<u>164,732</u>
Net cash provided by financing activities	<u>353,633</u>

**NET (DECREASE) IN CASH AND CASH EQUIVALENTS** (924,394)

**CASH AND CASH EQUIVALENTS, BEGINNING** 1,223,598

**CASH AND CASH EQUIVALENTS, ENDING** \$ 299,204

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:**

Cash paid during the year for interest	<u><u>\$ 98,694</u></u>
--	-------------------------

See accompanying notes to financial statements.



**SAINT JOHN'S PROGRAM FOR REAL CHANGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2017**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:**

**Organization** – Saint John's Program for Real Change ("Saint John's or the "Program") is a charitable nonprofit organization with a mission to unleash the potential of women and children in crisis to support them to permanently exit the cycle of poverty, abuse and homelessness. Since 1985, Saint John's demonstrated and objectively measured model has helped over 30,000 women and children change the trajectory of their lives, at roughly 1/3 the cost of the current public system.

In 2016, the American Enterprise Institute and the Brookings Institute issued a joint report on how to most effectively lift families out of poverty. The report included two unequivocal assertions:

1. The most important criteria for any social program is to strengthen people's ability to take care of themselves and their children.
2. Employment must be at the center of any strategy to reduce poverty and increase economic mobility.

Saint John's 12-18 month program is the largest residential employment-training program in the region, and the only one focused exclusively on women and children. Utilizing an evidence-based approach to apply principles and interventions for trauma-informed care, the women and children living at Saint John's receive an average of 675 hours of on-site services per month including: mental health therapy, alcohol and drug counseling, parenting education, high school diploma acquisition, budgeting classes, healthy relationship education and hands-on employment training to support real and permanent change in their lives. While their mothers are working on themselves, a dedicated and trained staff works with their children to ensure they get them on track academically, socially, physically and emotionally.

Saint John's has intentionally diversified its funding over the past decade. 50% of Saint John's operating budget is now fueled by private and in-kind donations; ~20% is fueled through earned income from our three social enterprises; and ~30% through government contracts (versus 80% 10 years ago). Recently however, due to Saint John's programmatic commitment to accountability and sobriety, Saint John's lost ~\$1M in annual public funding. Regrettably, this loss in funding came on the heels of Saint John's having increased its daily capacity by 60%.

To balance its budget, Saint John's cut expenses and secured additional funding from the private sector. Serving ~270 women and children daily, and with a waiting list of ~300 women and children waiting to get into Saint John's, Saint John's is re-doubling its efforts to both diversify and grow its funding. This includes pursuing donors and agencies that are philosophically in-line with Saint John's proven approach—that a hand up for the families we serve is far more effective than a hand out.



**SAINT JOHN'S PROGRAM FOR REAL CHANGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2017**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued):**

In close, 96% of the women who complete Saint John's employment-training program secure non-subsidized employment. The success of Saint John's model was recently documented in a yearlong study conducted on behalf of the County Supervisors Association of California (CSAC) and the League of California Cities, concluding that Saint John's is a best practice for homeless families. Please see pages 22-23 of the report found here at [http://www.ca-ilg.org/sites/main/files/file-attachments/homelessness\\_task\\_force\\_report.pdf](http://www.ca-ilg.org/sites/main/files/file-attachments/homelessness_task_force_report.pdf).

**Standards of Reporting** - The Program prepares its financial statements using the accrual method of accounting in accordance with generally accepted accounting principles in the United States of America (GAAP). Revenues are recognized when earned and expenses are recognized when incurred. The Program classifies its assets and liabilities as unrestricted, temporarily restricted, or permanently restricted. The Program had no permanently restricted net assets as of December 31, 2017.

Revenues from government grants are recognized when qualifying expenses are incurred. Grant funds received but not earned are recorded as refundable advances.

**Cash and Cash Equivalents** - For purposes of the statements of financial position and cash flows, the Program considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Accounts and Grants Receivable** - Accounts receivable and grants receivable include amounts due from grantor agencies under reimbursement grant agreements. It also includes amounts due for program services. All accounts receivable are considered to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

**Pledges Receivable** - Pledge contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. An allowance of approximately 3.0% of gross pledges receivable is provided for uncollectible pledges based on management's best estimate. Pledge contributions are written off when determined to be uncollectible. Pledges receivable that are expected to be collected in future years are recorded at the present value expected future cash flows using a discount rate of 3.0% for the year ended December 31, 2017. There was a discount of \$10,000 for 2017.

**Property and Equipment** - Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of the donation. The Program follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$2,000. Depreciation is based on the straight-line method over the estimated useful lives, ranging from five to thirty-nine years, of the assets acquired.



**SAINT JOHN'S PROGRAM FOR REAL CHANGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2017**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Use of estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

**Fair Value Measurements** - The Program's financial instruments consist of cash and cash equivalents and pledges receivable. Pledges receivable is recorded at its net realizable value if expected to be collected in one year, and at its net fair value if expected to be collected beyond one year. All other financial instruments are stated at cost, which approximates fair value.

**Income Taxes** - The Program is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income tax is limited to activities that are deemed by the Internal Revenue Service (the "IRS") to be unrelated to their exempt purposes. There were no such activities during the year ended December 31, 2017. The Program's tax returns for the years ended December 31, 2017, 2016, 2015 and 2014 are subject to examination by either the Franchise Tax Board or IRS, generally up to four years after they are filed.

**Functional Expenses** - The cost of Saint John's program, supporting services and fundraising has been reported on a functional basis in the statement of functional expenses. Expenses are charged to the program based on direct expenses incurred. Support costs are allocated to program and fundraising based on indirect cost allocations.

**In-Kind Contributions** - Donated goods and services are reflected as contributions in accompanying statements at their fair market values as of the date of receipt or the date the service is performed.

**Temporarily Restricted Net Assets** - Temporarily restricted net assets are primarily comprised of donations received from foundations that have time restrictions for future periods.

**Subsequent Events** - Subsequent events have been evaluated through October 3, 2018, which is the date the financial statements were available to be issued.



**SAINT JOHN'S PROGRAM FOR REAL CHANGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2017**

**NOTE 2 - PLEDGES RECEIVABLE:**

Pledges receivable as of December 31, 2017 are as follows:

Less than one year	\$ 224,503
One to five years	<u>259,700</u>
Total pledges receivable	484,203
Less allowance for uncollectible pledges	<u>10,000</u>
Net pledges receivable	<u><u>\$ 474,203</u></u>

**NOTE 3 - PROPERTY AND EQUIPMENT:**

Property and equipment consisted of the following as of December 31, 2017:

Land and Land Improvements	\$1,258,681
Building	4,111,182
Furniture and Equipment	1,640,995
Vehicles	<u>56,688</u>
Total	7,067,546
Accumulated depreciation	<u>(804,956)</u>
Net property and equipment	<u><u>\$ 6,262,590</u></u>

Depreciation charged to operations for the year ended December 31, 2017 was \$201,402.

**NOTE 4 - LINE OF CREDIT:**

The Program entered into an unsecured line of credit agreement with a bank in April 2017 that had a maximum available amount of \$500,000. The line of credit bears interest of the prime rate plus 2.0% and is calculated from the date of each advance until repayment of the advance. The line of credit is subject to extension annually. There was a balance of \$164,732 at December 31, 2017. The interest rate is 4% at December 31, 2017. It will be subject to annual extension.



**SAINT JOHN'S PROGRAM FOR REAL CHANGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2017**

**NOTE 5 – NOTES PAYABLE:**

The Organization's notes payable consisted of the following as of December 31, 2017:

The loan term is 10 years and escrow was closed in September 2013. Date of occupancy was received on March 7, 2014 and the promissory note is secured by a deed of trust against the 8401-11 Jackson Road property. Interest on the note accrues at a simple rate of 3% annually. Repayment of the loan shall be deferred as long as the Property is used as an emergency shelter or a safe haven. Upon completion of the initial loan term of 10 years, the principal on the loan and all accrued interest shall be forgiven.

\$ 1,128,500

The loan term is 15 years and escrow was closed in June 30, 2013. The promissory note is secured by a deed of trust against the 8401-11 Jackson Road property. Interest on the note accrues at a simple rate of 4% annually and is required to be paid during the first five years of the loan. Repayment of the loan shall be deferred for the first six years. Beginning the seventh year, the principal and interest will be paid in 120 equal monthly installments.

1,362,572

The loan term is 15 years and escrow was closed in December 5, 2014. The promissory note is secured by a second deed of trust against the 8401-11 Jackson Road property. Interest does not accrue on the note and repayment shall be deferred as long as the Property is used as an emergency shelter or a safe haven. Upon completion of the initial loan term of 15 years, the principal on the loan shall be forgiven.

1,000,000



**SAINT JOHN'S PROGRAM FOR REAL CHANGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2017**

**NOTE 5 – NOTES PAYABLE (continued):**

The loan term is 15 years and escrow was closed in August 15, 2016. The promissory note is secured by a deed of trust against the 8395 Jackson Road property. Interest does not accrue on the note and repayment shall be deferred as long as the property is used as an emergency shelter or safe haven. Upon completion of the initial loan term of 15 years, the principal on the loan shall be forgiven.

900,000

The loan terms is 15 years and escrow was closed April 17, 2017. The promissory note is secured by the Deed of Trust against 8395 Jackson Road property. Interest does not accrue on the note and repayment shall be deferred as long as the property is used as an emergency shelter or safe haven. Upon completion of the initial loan term of 15 years, the principal on the loan shall be forgiven.

600,000

Subtotal

4,991,072

Current portion

-

Notes payable, net of current portion

\$ 4,991,072



**SAINT JOHN'S PROGRAM FOR REAL CHANGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2017**

**NOTE 5 – NOTES PAYABLE (continued):**

Principal Maturities on notes payable are as follows:

2018	\$ -
2019	67,710
2020	67,710
2021	67,710
2021	67,710
Thereafter	<u>4,720,232</u>
	<u>\$ 4,991,072</u>

**NOTE 6 - DONATED GOODS AND SERVICES:**

The Program received significant donations of goods, including clothes, food, and other program supplies. All professional services and rent are recognized at their fair value.

The Program also benefited from volunteer service that did not qualify for recognition under GAAP.

**NOTE 7 - CONCENTRATIONS AND CONTINGENCIES:**

The Program maintains cash balances at several financial institutions. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation up to \$250,000. At December 31, 2017 the Program's uninsured cash balances totaled zero and \$814,302, respectively. To date, the Program has not experienced any losses on these accounts.

The Program receives funds from various government agencies. From time to time those agencies review the Program for proper compliance with the grants.

**NOTE 8 – FAIR VALUE MEASUREMENTS:**

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:



**SAINT JOHN'S PROGRAM FOR REAL CHANGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2017**

**NOTE 8 – FAIR VALUE MEASUREMENTS (continued):**

Level 1	Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets.
Level 2	Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
	If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Assets in this level include pledges receivable. Fair value of pledges receivable are determined by calculating the net present value of future receipts using a discount rate of 3%.

Certificates of deposit and money market funds are included in cash and cash equivalents in the statements of financial position for financial statement presentation purposes.

The following table sets forth by level, within the fair value hierarchy, the Program's assets as of December 31, 2017.

	Level 1	Level 2	Level 3	Total
Pledges Receivable	\$ -	\$ -	\$ 474,203	\$ 474,203
Total assets at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 474,203</u>	<u>\$ 474,203</u>

**NOTE 9 – NEW ACCOUNTING PRONOUNCEMENTS:**

In August of 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities. ASU 2016-14 establishes a new financial reporting framework for not-for-profit entities. This will result in changes to the presentation of the statements of financial position, activities, and cash flows.

ASU 2016-14 is effective for the fiscal years beginning after December 15, 2017. Early adoption is permitted and encouraged. Management is evaluating the impact this guidance will have on the Organization's financial reporting and determining the appropriate time to implement this pronouncement.



**SUPPLEMENTARY INFORMATION**



**SAINT JOHN'S PROGRAM FOR REAL CHANGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended December 31, 2017**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Passed Through Sacramento County Department of Human Assistance:			
CalFRESH - SNAP to Skills Employment Training Program	*10.561	968953070	\$ 531,709
<u>U.S. Department of Health and Human Services:</u>			
Passed Through Sacramento Department of Human Assistance:			
Temporary Assistance for Needy Families (TANF)	93.558	DHA-60-05/A2	214,020
<u>U.S. Department of Agriculture</u>			
Passed Through California Department of Education			
Child & Adult Care Food Program	10.558	RONs(A+1) CNIPS#	210,377
<u>U.S. Department of Homeland Security - FEMA</u>			
Emergency Food & Shelter Program	97.024		71,855
Total federal awards			<u>\$ 1,027,961</u>

\* Indicates major program

**Note A - Basis of Presentation:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Saint John's Program for Real Change under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of *The Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Saint John's Program for Real Change, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Saint John's Program for Real Change.

**Note B - Summary of Significant Accounting Policies:**

- (1) Expenditures reported on this schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *OMB Circular A-122, Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.



**CHAVEZ/SILVA & CO**  
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of  
Saint John's Program for Real Change

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Saint John's Program for Real Change (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 3, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Saint John's Program for Real Change's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Saint John's Program for Real Change's internal control. Accordingly, we do not express an opinion on the effectiveness of Saint John's Program for Real Change's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiency; **2017-01**.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Saint John's Program for Real Change's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Saint John's Program for Real Change's Response to Findings**

Saint John's Program for Real Change's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Saint John's Program for Real Change's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Chavez, Silva and Company*

**CHAVEZ, SILVA & COMPANY**

**Certified Public Accountants**

October 3, 2018





**CHAVEZ/SILVA & CO**  
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of  
Saint John's Program for Real Change

**Report on Compliance for Each Major Federal Program**

We have audited Saint John's Program for Real Change's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Saint John's Program for Real Change's major federal programs for the year ended December 31, 2017. Saint John's Program for Real Change's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Saint John's Program for Real Change's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Saint John's Program for Real Change's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Saint John's Program for Real Change's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Saint John's Program for Real Change complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.



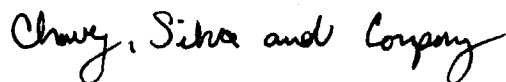
## Report on Internal Control Over Compliance

Management of Saint John's Program for Real Change is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Saint John's Program for Real Change's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Saint John's Program for Real Change's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**CHAVEZ, SILVA & COMPANY**

**Certified Public Accountants**

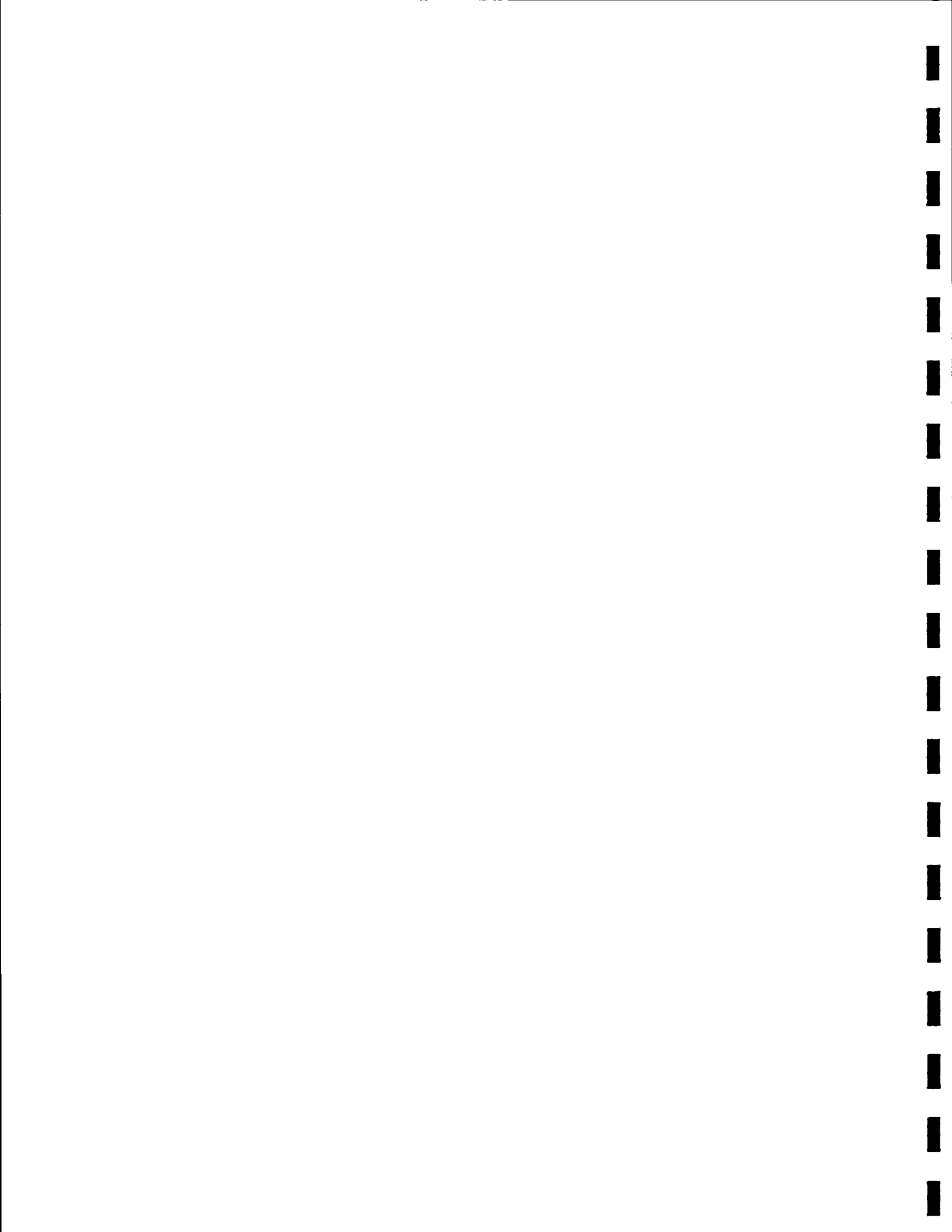
October 3, 2018



**SAINT JOHN'S PROGRAM FOR REAL CHANGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2017**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of Saint John's Program for Real Change.
2. One significant deficiency relating to the audit of the financial statements was reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, **2017-1**.
3. No instances of noncompliance material to the financial statement of Saint John's Program for Real Change, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for Saint John's Program for Real Change expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with the Uniform Guidance are reported in Part C of this schedule.
7. The program tested as a major program includes: SNAP to Skills Employment Training Program, CFDA No. 10.561.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Saint John's Program for Real Change qualified as a high-risk auditee.



**SAINT JOHN'S PROGRAM FOR REAL CHANGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2017**

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

**Finding**

**2017-1** – As the Organization has grown and the needs have become more complex, the Organization has been unable to sustain consistency at the CFO or controller level. This adds risk of error to the closing of the accounting records and processing of the day to day operations. During the close for the audit for the year ended December 31, 2017, it was noted that a journal entry was proposed by the client was incorrect. The incorrect entry increased accounts receivable and revenue instead of the opposite.

**Management's Response**

Saint John's re-organized the Finance Department in Q2 2018, including the addition of a Controller and the expansion of the department by one (1) FTE, to more efficiently and effectively manage the Department's workload.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

**None**



**SAINT JOHN'S PROGRAM FOR REAL CHANGE**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year Ended December 31, 2017**

**A. STATUS OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**

**None**

